

## Message Text

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ACTION EB-11

INFO OCT-01 ARA-11 ADP-00 COME-00 L-03 H-02 CIAE-00 INR-10

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R 292115 Z MAY 73

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 5666

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E. O. 11652 : N/ A

TAGS: BIDS, EIND, PE

SUBJ: GRACE NEGOTIATIONS

1. QUOTED BELOW ARE THE TEXTS OF (1) LETTER OF MAY 22 TO GRACE VICE PRESIDENT LOGAN FROM INTER- MINISTERIAL PRESIDENT GENERAL MOLINA AND (2) GRACE' S REPLY DATED MAY 28.

(1) " YESTERDAY THERE EXPIRED THE PERIOD AGREED UPON BY YOUR FIRM AND THE COMMISSION OVER WHICH I PRESIDE, TO NEGOTIATE THE DEFINITIVE CONTRACT VISUALIZED IN THE AGREEMENT IN PRINCIPLE OF NOVEMBER 23, 1971, AN AGREEMENT SIGNED AS A RESULT OF THE OFFER THAT YOU MADE TO THE SUPREME GOVERNMENT COVERING THE SALE OF YOUR INDUSTRIES.

" IT IS REGRETTABLE THAT YOU HAVE NOT ACCEPTED THE PRICE OFFERED BY US, A PRICE BASED ON THE VALUATIONS GIVEN BY OUR ADVISORS AND READJUSTED IN ACCORDANCE WITH OBERVATIONS WHICH YOU HAVE MADE.

" I MUST REMIND YOU THAT THE AIM OF THE COMMISSION ALWAYS HAS BEEN THAT OF ARRIVING AT A REASONABLE PRICE FOR YOUR COMPANIES, FOR WHICH REASON THE COMMISSION CONTRACTED THE SERVICES OF ALONSO CASTRO AND ASSOCIATES AND SIMON CARVES LTD., THE LATTER ASSISTED BY ROTHSCHILD AND SONS, BOTH OF RECONGIZED PRESTIGE AND WHOSE APPOINTMENT WAS KNOWN TO YOU AND WAS NOT OBJECTED TO. THE COMMISSION ALSO STUDIED OTHER ALTERNATIVE FORMULAS PRESENTED BY YOU.

" WHILE WE HAVE COMPLIED WITH OUR OBLIGATION TO OFFER YOU A PRICE THAT REFLECTS THE FAIR VALUE OF YOUR COMPANIES AS  
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A GOING CONCERN ( WHICH WE HAVE HAD OCCASION TO VERIFY USING OTHER SYSTEMS OF VALUATION) YOU, DURING THE COURSE OF THE NEGOTIATIONS, HAVE NOT MADE KNOWN TO US IN A PRECISE MANNER WHAT YOUR ASPIRATIONS WERE, LIMITING YOURSELVES TO REFERRING TO THE VALUATIONS MADE BY YOUR CONSULTANTS AND REFUSING ANOTHER EXTENSION OF THE PERIOD TO FIND A SOLUTION WHICH WOULD BE IN THE INTEREST OF BOTH PARTIES.

" WE ARE ADVISING THE MINISTERS REPRESENTED ON THE COMMISSION OF THE RESULTS OF OUR NEGOTIATION."

(2) " WE HAVE RECEIVED YOUR LETTER DATED MAY 22, 1973 WHICH WAS DIRECTED TO MR. LOGAN AND RECEIVED IN THIS OFFICE ON FRIDAY, MAY 25 TH.

" IN REPLY WE CAN ONLY SAY THAT OUR INTERPRETATION OF WHAT TRANSPIRED DURING OUR NEGOTIATIONS DIFFERS FROM THE STATEMENTS AND INFERENCES MADE IN THE SECOND, THIRD AND FOURTH PARAGRAPHS OF YOUR LETTER. IN PARTICULAR, WE OBJECT TO YOUR STATMENT THAT WE HAVE REFUSED TO ACCEPT A FURTHER EXTENSION TO THE PERIOD NECESSARY TO FIND A SOLUTION COMPATIBLE WITH THE INTERESTS OF BOTH PARTIES. AS YOU WILL WELL RECALL, AT NO TIME DURING OUR FINAL DISCUSSIONS DID THE COMMISSION EVER ASK US TO AGREE TO SUCH AN EXTENSION.

" WE HAVE TAKEN DUE NOTE OF THE FACT THAT THE COMMISSION WILL BE ADVISING THE RESPECTIVE MINISTERS OF THE OUTCOME OF OUR NEGOTIATIONS."

2. COMMENT: MOLINA' S LETTER TO LOGAN, LACED WITH MISREPRESENTATION AND CERTAIN HALF- TRUTHS, AUGURS ILL FOR FUTURE PROSPECTS FOR A SATISFACTORY OUTCOME OF THIS LONG-STANDING INVESTMENT DISPUTE. OUR COMMENTS WILL BE TRANSMITTED WHEN WE HAVE HAD OPPORTUNITY DISCUSS MATTER WITH LOCAL GRACE REPS HERE BUT MEANTIME DEPARTMENT MAY WISH DISCUSS SUBJECT WITH COMPANY OFFICIALS WASHINGTON AND NEW YORK.  
BELCHER

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\*\*\* Current Handling Restrictions \*\*\* n/a

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